HOOSIER ENERGY
RURAL ELECTRIC COOPERATIVE, INC.

Summer 2001

Presentation to

Indiana Utility Regulatory Commission

May 10, 2001

Projected Summer Peaks (MW)

Load	Jun	Jul	Aug
Members	892	1,089	1,089
WVPA	189	213	194
EKPC	50	50	50
Troy Municipal	2	2	2
Unit Sales	400	400	400
10% Reserve	113	135	134
Total Requirement	1,646	1,889	1,869

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Projected Resources (MW)

Resource	Jun	Jul	Aug
Base Generation	1,244	1,244	1,244
Fixed Price Contracts	402	645	625
Total Resources	1,646	1,889	1,869

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Projected Resources

Base Generation

- ✓ Expect Merom and Ratts units to be fully operational by the end of May.
- ✓ Proactive spring maintenance - Air heater and condenser cleaning
- ✓ Leased cooling towers at Ratts

Projected Resources

- **Fixed Price Contracts**
  - ✓Hoosier has entered into a contract with its marketing partner to satisfy peaking requirements.
- **Worthington Generation LLC**
  - ✓174 MW station operational Summer 2000
  - ✓Marketing partner will use to satisfy Hoosier commitment

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Risk Management Strategies

- Williams Agreement
- Unit Contingent Insurance
- Temporary Cooling Towers
- Summer Preparation Outages
- Unit De-rate Risk Management

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Williams Agreement

- 1999 - 2003
- Provides all capacity and energy shortfall beyond existing generation capability
- Manages volume variance
- Manages price variance
- Hoosier retains operating risk

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ACE USA (Cigna)

- Unit contingent insurance
- Covers 7 peak months
- $200/MWh strike price
- 300 MW per Merom unit
- 125 MW per Ratts unit

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Cooling Towers

- Leased for the Ratts units
- Removes risk of plant de-rates due to river temperatures

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Summer Preparation Outages

- Schedule unit outage to prepare for summer operation
- Air heater cleaning, condenser cleaning, etc.

Unit De-Rates

- **Extreme Range of zero to 150 MW**
- **Normal Range of 20 to 50 MW**
- **Primary causes:**
  - ✓condenser pluggage
  - ✓turbine back pressure
  - ✓air heater pluggage
  - ✓fuel related
  - ✓thermal limits

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Worthington Generation

- Facility is owned by Williams
- Long Term - Purchase option at end of contract period
- Short Term - 20 MW hourly call rights during remainder of contract term
- Estimated variable cost < $50 / MWh

Distributed Generation Project

- 30 MW installation
- Diesel unit power modules 1.5 - 1.8 MW each
- To be placed at Hoosier's existing Fairview and Midway substations

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Industrial Demand Initiative

- Load Shifting - move process load to off-peak periods
- Energy Buy-Back - Economic & Emergency call options at various strike prices and call provisions
- Interruptible Rates - include Distributed Generation Back-Up as part of the proposed service

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Transmission Status

- **Under normal operating conditions, transmission constraints are not expected on Hoosier system.**

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Substation Status

- **Since summer of 2000:**
  - ✓ Increased capacity in twelve substations
  - ✓ Built three new substations (to serve increased member load)

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